

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3716-05
Bill No.: HCS for HB 1723
Subject: Economic Development Dept; Housing; Licenses - Professional
Type: Original
Date: April 26, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Professional Registration Fees Fund	\$0	\$0	(\$16,185)
Home Inspectors Fund	\$0	\$0	\$76,400
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$60,215

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Treasurer, Office of Administration - Administrative Hearing Commission, Office of the Governor**, and the **Office of Senate Administration** stated there would be no fiscal impact to their agencies as a result of this proposed legislation.

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the Department of Education and the Coordinating Board for Higher Education could require as many as 28 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$1,722 for FY 2005. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Economic Development–Professional Registration (DPR)** estimate the proposed legislation would result in potential licensure of 382 home inspectors, based on a search of the Superpages.com Yellow Pages for Missouri. The revenue projected by DPR reflects an estimated \$575 fee for both initial licensure and biennial renewal for all categories of licensure, to be set by rule. Revenue for FY 2005 would be \$219,650. A 3% growth rate has been assumed. It is assumed the Home Inspectors Fund would reimburse the PR Fees Fund for all expenses paid by the PR Fees Fund.

DPR is requesting an additional 1 FTE to carry out duties created by this proposal. The additional employees include a Principal Assistant (.5 FTE @ \$48,240 per year) to serve as senior executive officer of the licensing agency; a Licensure Technician II (.5 FTE @ \$24,492 per year) to provide technical support directly to the Principal Assistant and to be responsible for processing applications for licensure, as well as responding to any inquiries relating to the licensure law or rules and regulations.

This proposal establishes the Missouri Home Inspectors Commission comprised of seven members. It is assumed that all meetings would be held in Jefferson City. The Principal Assistant, Licensure Technician and an Attorney General representative will also attend. It is assumed meetings would be held 4 times per year for 2 days. It is assumed there would be 4

ASSUMPTION (continued)

meetings in FY 2005 to promulgate rules and regulations. The proposal allows for a \$50 per diem and reimbursement of expenses for board members when conducting board business. Associated travel costs (mileage, lodging, & meals) would be \$9,733 per year. The per diem costs total \$2,800.

DPR estimates printing and postage costs for FY 2005 at \$6.19 per licensee, or \$2,365. DPR has based postage and printing costs for subsequent years on the actual FY 2002 usage for a board of similar size and has estimated costs \$2,500 per year. Office and communication expenses and equipment are based on estimated existing costs within the Division and follow Office of Administration guidelines.

Based on FY 2000 complaints for an agency of similar type, DPR officials assume it would be reasonable to assume there would be 8 complaints filed yearly, with an estimate of 15% of the complaints requiring an investigation, resulting in one investigation. It is estimated that an average investigation will require 30 hours of field work. Travel costs to conduct investigations are estimated at \$255 yearly. It is assumed the complaints and investigations will not begin until FY 2006.

It is assumed by DPR that existing staff would design, program, and implement a computer licensure program (8 hours x \$21.65 per hour = \$173.20).

It is estimated that the **Office of the Attorney General (AGO)** would provide approximately 60 hours of assistance per year with rules, opinions and meetings. Based on an hourly cost of \$60.87, the annual total would be \$3,652. It is estimated that one investigation may be forwarded to the AGO for further action. It is assumed there would not be any cases until FY 2006. The annual cost would be \$5,400 per case.

DPR estimates administration services from the Division and from the Department of Economic Development will increase 0.50% as a result of this proposal, as the 352 licensees represent 0.95% of the total number licensed by the Division. This increase comes to \$2,516.

Oversight assumes that with the limited number of potential licensees, duties of this agency could be combined with those of some of the smaller boards within DPR, resulting in no additional FTE requirements. Also, Oversight assumes the additional administrative services could also be absorbed. If multiple bills pass, increasing the administrative workload, the Division and the Department of Economic Development may seek additional funding through the appropriations process. If the number of licensees significantly increases, fees can be adjusted to offset personnel expenses. The biennial fee of \$575 has been adjusted to \$200, for total biennial income of \$76,400. **Oversight** has adjusted revenues and expenses to reflect January 1, 2005 effective date of this proposed legislation.

FISCAL IMPACT - State Government

FY 2003

FY 2004

FY 2005
(6 Mo)

HOME INSPECTORS FUND

LMD:LR:OD (12/01)

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005 (6 Mo)
<u>Income</u> - Professional Registration			
License Fees/Renewals	\$0	\$0	\$76,400
ESTIMATED NET EFFECT TO HOME INSPECTORS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$76,400</u>
PR FEES FUND			
<u>Costs</u> - Professional Registration			
Board Member Expense (Per Diem and Related Travel Expense)	\$0	\$0	(\$12,533)
Printing/Postage	\$0	\$0	(\$2,365)
Office Expense/Telephone			(\$318)
Other Costs - AGO Costs	<u>\$0</u>	<u>\$0</u>	<u>(\$3,652)</u>
<u>Total Costs - Professional Registration</u>	\$0	\$0	(\$18,868)
ESTIMATED NET EFFECT TO PR FEES FUND	<u>\$0</u>	<u>\$0</u>	<u>(\$18,868)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003	FY 2004	FY 2005 (6 Mo)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

It is expected that small businesses would have a direct fiscal impact as a result of the fees initiated by this proposal.

DESCRIPTION

This proposed legislation contains provisions for the licensing of home inspectors. These provisions include:

- (1) Creates the Missouri Home Inspectors Commission within the Division of Professional Registration;

DESCRIPTION (continued)

- (2) Requires all persons wishing to conduct home inspections to be licensed by the

commission;

- (3) Contains provisions regarding appointments, powers, and duties of the commission;
- (4) Establishes exemptions from licensure for certain professions;
- (5) Creates the Missouri Home Inspectors Fund within the State Treasury;
- (6) Requires all applicants to pass a competency examination;
- (7) Requires applicants and licensees to carry errors and omissions insurance;
- (8) Requires the commission to verify the qualifications of applicants;
- (9) Allows the commission to define requirements for licensure;
- (10) Allows the commission to establish continuing education requirements for license renewal;
- (11) Gives the commission authority to refuse to issue or renew licenses, suspend or revoke licenses, conduct investigations, take disciplinary action, and cause complaints to be filed with the Administrative Hearing Commission regarding licensees; and
- (12) Requires licensees to retain for two years all documentation pertaining to any inspections.

The proposal contains a preemption clause and an effective date of January 1, 2005.

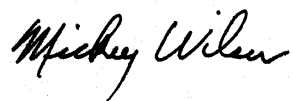
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This proposal would increase state revenue.

SOURCES OF INFORMATION

Department of Economic Development

LMD:LR:OD (12/01)

Division of Professional Registration
Office of Secretary of State
Administrative Rules Division
Office of State Treasurer
Office of the Governor
Office of Senate Administration
Office of Administration
Administrative Hearing Commission

A handwritten signature in black ink, reading "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Acting Director
April 26, 2002